



***METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY  
OFFICE OF INTERNAL AUDIT***

**Professional Audit and Advisory Service**

**FINAL REPORT**

**Audit of Davidson County Clerk's Office**

Date Issued: January 26, 2012

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*The Metropolitan Nashville Office of Internal Audit is an independent audit agency  
reporting directly to the Metropolitan Nashville Audit Committee*

# EXECUTIVE SUMMARY

January 26, 2012

The Metropolitan Nashville Office of Internal Audit performed an audit of the processes and controls in place at the Davidson County Clerk's Office. Concurrently, the Tennessee Bureau of Investigation and the State of Tennessee Comptroller's Division of County Audit reviewed concerns raised by local media reports. A separate special report addressing specific concerns not included in the scope of this audit will be forthcoming from these agencies.

## Results in Brief

### Cash Collections

- *Were taxes and fees collected by the Davidson County Clerk's Office recorded, safeguarded, deposited, and forwarded to authorized entities?*

**Yes.** Daily transaction amounts recorded in the Davidson County Clerk's computer system agreed to the amount deposited in the bank for all 13 business days reviewed.

### Fiscal Resources

- *Was sourcing for services and goods conducted to promote maximum competition for best values? Were Metropolitan Nashville Procurement laws, regulations, and policy being followed?*

**No.** Documentation demonstrating "best value" purchase decisions was not available for 20 (61%) of 33 suppliers where total spend would require written competitive bids or quotations. This represented over \$509,000 of the total purchases during the three year audit scope.

- *Were expenditures for running the office aligned with the service delivery objectives of the Davidson County Clerk's Office and allowable in accordance with Internal Revenue Services Publication 535 – Business Expense and/or Office of Management and Budget Circular A-87?*

**Generally yes.** Expenditures were supportive of the service delivery objectives for the Davidson County Clerk's Office and would have been an allowable business tax expense and/or a reimbursable expense for federal grants.

## Key Recommendations

### Cash Collections

- Deposit all fees and commissions into a Metropolitan Nashville general government depository account daily.
- Initiate a two-person mail operation.
- Discontinue the practice of cashing employee personal checks.
- Develop a policy for waiver of fees.
- Develop and review a report for no-charge transactions.
- Increase the frequency of hotel tax audits.

### Fiscal Resources

- Align purchasing practices to ensure best value supplier selections are made.
- Abide by the dollar limit thresholds for delegated purchasing authority outlined in the Metropolitan Nashville's Procurement Code.
- Seek approval for existing sole-source vendors from the Metropolitan Nashville Purchasing Agent and seek approval by the Metropolitan Nashville Council for equipment leases.
- Execute a new lease contract for the Green Hills satellite office.
- Ensure financial records are retained in accordance with approved retention schedules including support for credit card purchases and daily cash collection reports.
- Classify invoices to financial object account categories that best reflect the actual purpose of the expenditure.
- Minimize reimbursement for sales taxes whenever practicable.

Management's response can be seen in Appendix A, page 22.

## Table of Contents

INTRODUCTION.....	1
AUDIT INITIATION.....	1
BACKGROUND.....	1
FINANCIAL HIGHLIGHTS.....	2
OBJECTIVES AND CONCLUSIONS.....	3
OBSERVATIONS AND RECOMMENDATIONS.....	8
A - Selection Process for Significant Vendors.....	8
B - Compliance with Metropolitan Nashville Leasing Procurement Rules .....	9
C - Improve Compliance with Credit Card and Payment Procedures.....	10
D - Petty Cash Purchases Include Sales Tax and Lacked Documentation for Food Purchases.....	11
E - Accounting Classification of Expenses.....	12
F - Position Vacancies Are Not Widely Advertised.....	12
G - Metro Nashville's Daily Cash Position Not Maximized .....	13
H - Cash Handling Internal Control Enhancements .....	14
I - Prior Audit Recommendation Implementation.....	16
J - Fixed Assets and Tracked Equipment Records Need to be Updated.....	18
K - Financial Records for Cash Collection Deposits were Inaccessible.....	18
L - Charge for Notary Service .....	19
GENERAL AUDIT INFORMATION.....	20
STATEMENT OF COMPLIANCE WITH GAGAS.....	20
SCOPE AND METHODOLOGY .....	20
CRITERIA .....	20
STAFF ACKNOWLEDGEMENT .....	20
APPENDIX A. MANAGEMENT RESPONSE.....	21

# INTRODUCTION

## AUDIT INITIATION

In response to a series of media reports that alleged the Davidson County Clerk was engaging in questionable practices, the Honorable Mayor Karl Dean requested the Metropolitan Nashville Office of Internal Audit, hereinafter referred to as Office of Internal Audit, to perform an audit of procurement and cash handling practices within the Davidson County Clerk's Office. The audit, which had been previously approved as part of the annual Audit Work Plan, was prioritized and work commenced on July 14, 2011. Concurrently, the District Attorney General, 20<sup>th</sup> Judicial District requested the Tennessee Bureau of Investigation and the State of Tennessee Comptroller's Division of County Audit to review the concerns raised by local media reports. The Office of Internal Audit coordinated efforts with the State of Tennessee agencies throughout the course of this audit. A separate report addressing specific concerns not included in the scope of this audit will be forthcoming from these agencies.

## BACKGROUND

The general functions of the Davidson County Clerk are outlined in Metropolitan Nashville Charter § 8.118, Powers and Duties of the County Court Clerk. It states:

*"Nothing in this Charter is intended or shall be construed to alter or affect the powers, duties, and responsibilities of the county court clerk as a collector of state privilege licenses or other state revenues or as the clerk of the probate court or monthly county court"*

The Davidson County Clerk's Office issues business licenses, handles motor vehicle titling and registration, and collects county wheel taxes. Also, the Office issues marriage licenses along with collecting the state and county privilege tax on marriage. Since notaries public are elected by the county legislative body, the county clerk keeps a record of the notaries public in the county and has duties involving coordination between the secretary of state and the notary applicant. Additionally, the Office collects hotel/motel and convention center taxes, renews driver licenses, and processes passport applications along with other miscellaneous licensing duties. The Office receives fees for the services rendered. Tennessee Code Annotated § 8.21.701 is the primary county clerk's fee statute, but fees are found in other state and local statutes.

The Davidson County Clerk's Office primary location is in the Howard Office Building. Also, they have five satellite offices for titling, registration, and annual collection of motor vehicles wheel tax. The satellite offices are located in the following locations:

- Green Hills Grace's Plaza - 4005 South Hillsboro Pike
- Hermitage Police Precinct - 3701 James Kay Lane
- North Police Precinct - 2231 26th Avenue North

- Old Madison Library – 501 Heritage Drive
- South Police Precinct – 5101 Harding Place

The Davidson County Clerk is an elected official. Elections occur every four years. John Arriola is serving his second term as Davidson County Clerk.

## FINANCIAL HIGHLIGHTS

The Davidson County Clerk's Office collected fees and commissions in excess of expenditures by \$160,105 and \$791,705 for fiscal years 2010 and 2011 respectively. Collections are summarized by category in Exhibit A and expenditures are summarized in Exhibit B below. A list of the top ten vendors/contractors can be seen in Exhibit C below.

### Exhibit A –Collections Highlights for Fiscal Years 2009, 2010 and 2011

Collection Category	FY 2009	FY 2010	FY 2011	Total FY2009 to FY2011	Percent of Total
Motor Vehicle	\$ 51,427,913	\$ 52,274,897	\$ 54,205,880	\$157,908,690	38.4%
Convention Center	40,268,051	39,443,907	38,672,940	118,384,898	28.8%
Business	46,352,353	20,266,656	4,062,172	70,681,181	17.2%
Liquor and Beer	19,598,499	19,249,447	20,056,078	58,904,024	14.3%
Motor Boats	471,818	410,322	403,669	1,285,809	0.3%
Marriage	369,585	359,057	378,783	1,107,425	0.3%
Driver License	85,851	115,637	113,273	314,761	0.1%
Passport	34,848	99,032	138,151	272,031	0.1%
Disable Placard	79,820	86,583	85,111	251,514	0.1%
Notary	63,385	57,200	59,913	180,498	0.0%
Birth Certificates	0	0	2,475	2,475	0.0%
Other	498,532	716,136	419,842	1,634,510	0.4%
<b>Total</b>	<b>\$159,250,655</b>	<b>\$133,078,874</b>	<b>\$118,598,287</b>	<b>\$410,927,816</b>	

*Source: Davidson County Clerk's Office Delta Computing System Accounting Module*

The Davidson County Clerk's Office's significant areas of responsibility include the collection of privilege taxes related to motor vehicle transactions (38% of collections), hotel and convention center taxes (29% of collections), and business taxes (17% of collections). Business taxes have experienced a significant downward trend due to the fact that the State of Tennessee Department of Revenue took over the responsibility for the annual collection of business taxes from county clerk offices as of January 1, 2010. The Davidson County Clerk's Office is still responsible for the registration and collection of business licenses fees for Davidson County along with collection of all business taxes in arrears as of January 1, 2010.

**Exhibit B – Expenditure and Fee Highlights for Fiscal Years 2010 and 2011**

(< > - Over Budget)	Fiscal Year 2010			Fiscal Year 2011		
	Budget	Actual	Difference	Budget	Actual	Difference
Personnel	\$3,684,900	\$3,385,025	\$299,875	\$3,767,400	\$3,647,216	\$120,184
Other Services	364,200	366,131	<1,931>	364,200	407,782	<43,582>
Internal Service	249,700	251,597	<1,897>	429,400	428,630	770
<b>Total Expense</b>	<b>\$4,298,800</b>	<b>\$4,002,753</b>	<b>\$296,047</b>	<b>\$4,561,000</b>	<b>\$4,483,628</b>	<b>\$ 77,372</b>
Fees/Commissions for services	4,300,100	4,162,858	137,242	4,000,100	5,275,332	<1,275,232>
Net of Fees / Commissions		\$160,105			\$791,705	

*Source: Metro Nashville's EnterpriseOne Financial System*

**Exhibit C –Top Ten Paid Vendors/Contractors for Fiscal Years 2009, 2010 and 2011**

Vendor Name	Amount	Purpose
US Postmaster	\$210,000	Postage for mailings
Elavon Inc.	174,757	Credit card merchant fees and processing equipment
Delta Computer Systems Inc.	127,920	County clerk office software and maintenance
Sir Speedy Printing	87,042	Printing
Tennessee Consolidated Retirement	76,603	State retirement contribution for County Clerk
Icon Financial Services	55,762	Copier leases
AZ Office Resources	56,363	Office supplies
Loomis Fargo & Co.	48,767	Armored car pick-up
Spann Insurance	40,616	County Clerk bonding
Encore Interpretive Design	40,090	Emissions testing consulting

*Source: Metro Nashville's EnterpriseOne Financial System*

**OBJECTIVES AND CONCLUSIONS**

The State of Tennessee Comptroller's Division of County Audit will issue a separate special report which includes other objectives not addressed in this report along with supplementing some of the Office of Internal Audit objectives listed below.

Tennessee Comptroller's Division of County Audit Objectives

- Were gratuities/fees received for solemnizing marriages in accordance with state statutes and regulations?
- Were payroll records properly calculated, supported, and in compliance with stated policies and procedures?

- Was employee leave time applied consistently with Davidson County Clerk's Office stated guidelines?
- Were fleet vehicles and fuel purchases utilized in accordance with Department of General Services administrative directives?

#### Office of Internal Audit Objectives

1. *Were collected taxes and fees recorded, safeguarded, deposited, and forwarded to authorized entities (State of Tennessee Department of Revenue, Metropolitan Nashville Government, etc.)?*

**Yes.** Daily transaction amounts recorded in the Davidson County Clerk's computer system agreed to the amount deposited in the bank for all 13 business days (encompassing 655 cashier tills) reviewed. Also, the calendar year 2010 Metropolitan Nashville motor vehicle sticker inventory, consisting of 509,000 stickers, was reconciled to related sticker issuance computer transactions or end-of-year destruction records within 99.83%.

The Office of Internal Audit performed analytical procedures to determine collections were recorded for all 746 workdays within the three year audit scope and motor vehicle title renewal amounts received were reasonable. Additionally, 22 randomly selected motor vehicle sales tax transactions were recalculated without any exceptions noted.

However, isolated occurrences of fees/commissions being waived or not collected for notary and driver license renewals were observed. The values of the fees were insignificant (\$2 to \$4). The need for guidance on when it is appropriate to waive fees along with other internal control enhancement for the cash collection process was identified during our testing procedures (see Observation H).

The State of Tennessee Comptroller Division of County Audit special report includes related concerns about the consistent use of preprinted receipts for business tax collections and adequate controls to protect the collection of funds.

2. *Was sourcing for services and goods conducted to promote maximum competition for best values? Were Metropolitan Nashville Procurement laws, regulations, and policy being followed?*

**No.** Documentation demonstrating "best value" purchase decisions was not available for 20 (61%) of 33 suppliers where total spend would require written competitive bids or quotations. This represented over \$509,000 of the total purchases during the three year audit scope (see Observations A).

The initial lease period for the Green Hills satellite office had expired and was operating on an "evergreen" month-to-month basis. Also, the mailing postage machine lease had not been presented to the Metropolitan Nashville Council for approval in accordance with Metropolitan Nashville Code of Laws § 5.04.020, Equipment or Automobile Leases (see Observation B).

The State of Tennessee Comptroller Division of County Audit special report includes a related concern about a sole source selection of a former Davidson County Clerk's Office employee's company, Encore Interpretive Design.

3. *Were expenditures for running the office aligned with the service delivery objectives of the Davidson County Clerk's Office and allowable in accordance with Internal Revenue Services Publication 535 – Business Expense and/or Office of Management and Budget Circular A-87?*

**Generally yes.** Expenditures were supportive of the service delivery objectives for the Davidson County Clerk's Office and would have been an allowable business tax expense and/or a reimbursable expense for federal grants. For the three year audit period, 64 payment vouchers totaling \$146,951 (12% of the total invoice payments) and 8 petty cash reimbursements totaling \$6,842 (35% of total petty cash reimbursements) were reviewed. We were unable to determine the purpose of some purchases because the payment voucher invoice was non-descriptive or the Davidson County Clerk's Office could not provide supporting documentation (see Observation C).

Management of the Davidson County Clerk's Office should seek out the suitability of existing Metropolitan Nashville Government resources or contracted suppliers for satisfying service or supply demands. This was not demonstrated in the case for several supplier selections, such as mailing equipment, printing, and photography services.

Also, sales taxes were included for several petty cash reimbursement requests (see Observation D). Furthermore, the classification of invoices to meaningful financial object account categories was not consistent (see Observation E).

4. *Were disbursements from the Davidson County Clerk's Office bank account consistent with its service delivery objective, approved, and documented with purpose of the disbursement?*

**Generally yes.** Disbursements by check from the Davidson County Clerk's Office bank account were primarily for transferring receipts to agency clients or providing refunds for customer overpayments. For the three year audit period, the Office of Internal Audit reviewed 154 out of 4,793 (3%) Davidson County Clerk's checks where the check amount was less than \$200. Check dual signatures authorizing payment were observed without any exceptions noted. Additionally, a sample of check amounts remitted to agency clients (Metropolitan Nashville Government, State of Tennessee Department of Revenue, City of Goodlettsville, etc.) were traced to daily cashier's daily work without any exceptions noted.

However, one Davidson County Clerk's Office employee received cash payments for notary services rendered. It was our understanding notary services were offered as a convenience for citizens and fees received were deposited into the Davidson County Clerk's Office employee event fund (a non-Metro Nashville government account). This practice resulted in 28 checks totaling \$711 being paid to this employee to reimburse the employee when the



notary services customer used a credit card as the method of payment (see Observation L).

Also, the Office of Internal Audit observed the payment frequency for Davidson County Clerk's Office fees and commissions to the Metropolitan Nashville Government should align with the Metropolitan Nashville Charter requirement for daily deposits (see Observation G).

Furthermore, the State of Tennessee Comptroller Division of County Audit special report includes a concern related to a \$49,080 payment to Delta Computing Systems, Inc. for computer software maintenance out of this bank account and accounting for the Davidson County Clerk's Office restricted computer fund.

5. *Were the Davidson County Clerk's Office assets accounted for in Metropolitan Nashville fixed assets accounting records or tracked in department records, safeguarded from weather elements, and protected from theft?*

**Generally no.** Metropolitan Nashville Finance Department fixed asset records did not match Davidson County Clerk's Office fixed assets observed. Verification of physical existence was not possible for 61 of the 74 fixed asset records inventoried because the assets had been disposed of and not updated in the Metropolitan Nashville Finance Department fixed asset records. The Office of Internal Audit was able to physically observe 85 computer workstations distributed between six office locations. However, workstation transfers/reassignments were not always updated in Metropolitan Nashville Information Technology Services Department tracked equipment records (see Observation J).

6. *Were employees only given computer access based on need to know basis for their job according to information security standards?*

**Yes.** The Delta Computer System application security was maintained by the Motor Vehicle supervisor who had administrative access rights to set up each user based on a scale from one to nine. Clerks who process collections at the counter had access for only the data entry screens necessary to perform their job function. Managers had access to maintain supporting master file information.

7. *Were employee recruitment efforts communicated to ensure the maximum pool of candidates for consideration?*

**Generally no.** Historically, the Davidson County Clerk's Office has not advertised open positions. Davidson County Clerk's Office management stated employment applications are received on a continuous basis in the office and reviewed whenever an employment opportunity exists within the office (see Observation F).

8. *Were agreed upon Hotel/Motel Tax collection prior audit recommendations implemented?*

**Generally no.** Davidson County Clerk's Office management had not fully implemented four audit recommendations from the June 30, 2008, Hotel/Motel Occupancy Tax Fund audit performed by the Office of Internal Audit. The number of hotels audited by the Davidson County Clerk's Office had decreased with only eleven audits completed during the three year audit scope (see Observation I).

## OBSERVATIONS AND RECOMMENDATIONS

### ***A - Selection Process for Significant Vendors***

Competitive bidding was not being used to ensure major expenditures were obtained at optimal value for the Davidson County Clerk's Office. Documentation demonstrating "best value" purchase decisions was not available for 20 (61%) of 33 suppliers where total spend would require written competitive bids or quotations. This represented over \$509,000 of the total purchases during the three year audit scope. Out of the remaining 13 suppliers, 9 suppliers used were for orders from contracts which allowed Metropolitan-wide purchases.

Competitive bidding provides assurance and demonstrates selected vendors provide the best value for services or goods procured. The Metropolitan Nashville Government has established certain laws and regulation regarding procurement of goods and services to promote this practice. The specific requirements are described below.

Dollar Amount of Purchase	Requirements
Up to \$999.99	One oral or written quotation required.
\$1,000.00 to \$3,999.99	A minimum of three verbal quotations required.
\$4,000.00 to \$9,999.99	A minimum of three written quotations required.
\$10,000.00 and above	Competitive sealed bids or request for proposals.

On July 19, 2011, prior to our audit procedures being initiated, the Metropolitan Nashville Purchasing Agent terminated the Davidson County Clerk's Office delegated purchasing authority.

#### *Risk:*

- Inefficient use or waste of Metropolitan resources.
- Inability to demonstrate selected supplier was the best quality of goods or services for the price.

#### *Criteria:*

- Metropolitan Nashville Procurement Regulation
- Metropolitan Nashville Finance Department Policy, Purchasing #20, Purchasing Policy
- Metropolitan Nashville Code of Laws § 4.12.20, Methods of Source Selection
- Prudent Business Practice

#### *Recommendation:*

If purchasing delegation of authority is reinstated, management of the Davidson County Clerk's Office should align their purchasing practice to ensure best value supplier selections are made and easily demonstrated. This can best be accomplished by following existing Metropolitan Nashville

procurement laws, regulations, and policy. Relevant documentation should be maintained to demonstrate “best value” purchasing decisions.

## ***B - Compliance with Metropolitan Nashville Leasing Procurement Rules***

The lease for the Green Hills satellite office (Grace’s Plaza was paid \$32,930 during the three year audit scope) and the mailing postage machine (Pitney Bowes Inc. was paid \$30,543 during the three year audit scope) were not competitively bid. A fully executed lease agreement during the three year audit period for the Green Hills satellite office did not exist. A lease renewal agreement for the Green Hills satellite office was drafted and reviewed by the Metropolitan Nashville Department of Law in 2006. However, it was not approved by the Metropolitan Nashville Department of Law or Finance Department.

Also, a sixty month lease was executed for the mailing postage machine by the Davidson County Clerk without review and approval of the Metropolitan Nashville Department of Law or Finance Department. Furthermore, the lease was never executed or approved by the Metropolitan Nashville Council.

### *Criteria:*

- Metropolitan Nashville Code of Laws § 5.04.020, Equipment or Automobile Leases states:

*“All leases for equipment or automobiles shall be approved by resolution of the Metropolitan council if the annual expenditures for the lease exceed five thousand dollars per year.”*

- Metropolitan Nashville Finance Delegation of Purchase

### *Risk:*

Inherent risks related to personal injury or financial disputes may not be avoided or transferred/managed without a fully executed lease agreement reviewed by the Metropolitan Nashville Department of Law and Metropolitan Nashville Finance Department.

### *Recommendation:*

Management of the Davidson County Clerk’s Office should:

1. Coordinate with the Metropolitan Nashville Finance Department, Purchasing Division to determine if sole source justification is appropriate for the two current on-going lease obligations or competitive bidding would be appropriate for these services going forward. Also, the Green Hill satellite office lease should be renewed and approved by the Metropolitan Nashville Department of Law and Metropolitan Nashville Finance Department.
2. Obtain approval from the Metropolitan Nashville Council for equipment leases if the annual obligation exceeds \$5,000.

## ***C - Improve Compliance with Credit Card and Payment Procedures***

Management control to prevent potential abuse of credit card usage should be improved. The Davidson County Clerk's Office made 15 credit card purchases totaling \$3,409 during the 36 months audit scope. During the Office of Internal Audit review the following management control weaknesses were observed:

- Documentation of Davidson County Clerk's Office management pre or post approval of credit card purchases was not available in any evidential format.
- Six purchases (40% of purchases reviewed) totaling \$3,029 exceeded the \$250 maximum individual purchase amount.
- None of the purchases were supported by receipts. Auditors were unable to substantiate the government service delivery justification for these purchases.

Also, the Office of Internal Audit was unable to determine the purpose of some purchases because the payment voucher supporting documentation was non-descriptive or not available in any evidential form.

On July 19, 2011, prior to our audit procedures being initiated, the Metropolitan Nashville Purchasing Agent terminated the Davidson County Clerk's Office delegated purchasing authority which included the use of credit cards.

### *Criteria:*

- Metropolitan Nashville Finance Policy #19 – Credit Card Section 6 states:
  - "d) Each charge shall be reviewed and approved by the Department Head or designee who does not have a credit card. If the Department Head is a cardholder their charges shall be reviewed by the Finance Department Director or designee.*
  - e) Documentation supporting charges to the credit card should be readily available for review by the Internal Audit Staff and/or the Department of Finance's Office of Financial Accountability staff or their designees"*
- Metropolitan Nashville Finance Delegation of Purchase

### *Risk:*

With lack of proper management oversight, the risk of misappropriation of Metropolitan Nashville assets increases.

### *Recommendation:*

If purchasing delegation of authority is reinstated, management of the Davidson County Clerk's Office should:

1. Ensure all credit card purchases are pre-approved within the authority delegated by the Metropolitan Nashville Purchasing Agent.
2. Instruct cardholder to retain all receipts for a minimum of three years and document the government service delivery purpose for credit card purchases.

3. Ensure all payment vouchers clearly describe the purpose for the payment and contain sufficient supporting detail. Vendor statements should rarely be used as a method of payment and invoices should not be split into smaller amounts for individual orders.

### ***D - Petty Cash Purchases Include Sales Tax and Lacked Documentation for Food Purchases***

Metropolitan Nashville Government's sales tax exemption was not consistently used for petty cash purchases. A review of eight petty cash reimbursements indicated an average of \$50 in sales tax paid by employees for purchases included in each reimbursement request. Many of these purchases were for break room and other miscellaneous office supplies which could have been readily purchased using existing Metropolitan Nashville suppliers. If all 23 petty cash reimbursements are similar, the total sales tax paid would be approximately \$383 annually.

Also, during our review we observed occasional employee food purchases at a reasonable cost. Receipts for these purchases were available along with documentation of the purpose for these purchases. However, this documentation did not list the individual employees which were provided meals. Documenting participants will help clearly demonstrate that these occasional employee food purchases were of a 'de minimus' value.

#### ***Criteria:***

- Metropolitan Nashville Government Sales Tax Certificate of Exemption
- U.S. Internal Revenue Service Publication 15-B, Employer's Tax Guide to Fringe Benefits, Meals (page 15).
- Metropolitan Nashville Finance Policy #19 – Credit Card Section 6 states:

*"b) Use of the Metropolitan credit card for meals at local restaurants is generally not allowable. When charges for meals at local restaurants are necessary, the cardholder shall maintain detailed documentation to justify the charges. The documentation will at a minimum include detailed information such as (a) the list of individuals that participated/attended the meeting/luncheon, (b) time, (c) place, (d) and an agenda or document that describes the business purpose of the meeting and meal."*

#### ***Risk:***

- Maximum utilization of limited financial resources will not be realized when sales tax is paid unnecessarily.
- Meals provided to employees may be required to be imputed income.

#### ***Recommendation:***

Management of the Davidson County Clerk's Office should ensure:

1. Sale taxes are not paid whenever practicable. Using existing Metropolitan Nashville contracted suppliers for break room and miscellaneous office

supplies through the 'Ariba' purchasing online catalogue can help facilitate this objective.

2. Documentation for meals furnished to employees includes the purpose and the participating employee names. Meals should be occasional such that they clearly demonstrate they are of little value to the employee.

## ***E - Accounting Classification of Expenses***

Classification of invoices to meaningful financial object account categories was not consistent. The Davidson County Clerk's Office stated they would often classify expenses based on available budget account balances versus selecting the account category best describing the expenditure. For example invoices for \$1,378 for shirts and sweaters were classified to the '502311 - Bottled Water Services', \$50,808 for professional consulting services along with \$127,520 for computer services were classified to '502920 - Other Repair and Maintenance Services' and \$180,040 for merchant fees were classified to the '502520 - Postage and Delivery Services' object accounts.

### *Criteria:*

- Metropolitan Nashville Finance Department Policy, Office of Management and Budget #20, Budget Accountability Reports states:

*"Each department shall submit the Budget Accountability Report along with explanations of variances to the Office of Management and Budget per an established monthly schedule. Variance explanations shall include reasons for being over or under budget for each BAR category."*

- Prudent business practice

### *Risk:*

Without meaningful account classification for expenditures, it is difficult to determine spend history and conduct management financial analysis at the micro or macro level of government expenditures.

### *Recommendation:*

Management of the Davidson County Clerk's Office should:

1. Classify invoices to financial object account categories that best reflect the actual purpose of the expenditures. Remaining budget account balances should not be a factor in determining the object account used to classify expenditures.
2. Review prior agency spend history and reallocate fiscal year budgeted account balances based on current fiscal year forecasted expenditure requirements for agency goals and service delivery requirements.

## ***F - Position Vacancies Are Not Widely Advertised***

Position vacancies have not been widely advertised; this prevents recruitment from a wide pool of applicants and may hamper the ability of the Davidson County Clerk's Office to hire the most qualified candidates. Because

employees of the Davidson County Clerk's Office are not Metropolitan Nashville Civil Service employees there is no mandatory requirement to advertise the positions via Metropolitan Nashville Human Resources Department. During the three year audit scope, 20 positions were filled with newly hired employees.

Metropolitan Nashville Human Resources Department advertises via its website courtesy postings for elected officials for position vacancies that are not Metropolitan Nashville Civil Service positions.

*Criteria:*

- Prudent business practice
- Internal Control and Compliance Manual for Tennessee Municipalities, Title 5 Control Activities, Chapter , Section 2 states:

*"Municipal officials should ensure that qualified individuals are hired and that appropriate training is provided."*

*Risk:*

- When position vacancies are not widely advertised the applicant pool may be small; this limits the ability of the Davidson County Clerk's Office to find the most suitable and qualified candidates.
- The public may perceive that hiring is based on nepotism or interlocking relationships.

*Recommendation:*

Management of the Davidson County Clerk's Office should enhance its hiring practices and broaden the base of applicants considered for positions by advertising all vacancies through Metropolitan Nashville Human Resources Department or other widely circulated media within Middle Tennessee.

## **G - Metro Nashville's Daily Cash Position Not Maximized**

Davidson County Clerk's Office fees and commissions were not deposited into a Metropolitan Nashville general government bank account on a daily basis; rather, they were deposited into the Davidson County Clerk's Office bank account. Historically, these fees and commissions were allowed to accumulate in the Davidson County Clerk's Office bank account with semi-annual remittance to the Metropolitan Nashville general government as directed by state statute. However, the Metropolitan Nashville Office of Internal Audit, after consulting with the Metropolitan Nashville Department of Law, believes the Charter of the Metropolitan Government of Nashville and Davidson County, Tennessee, Article 8 –Metropolitan Departments, Section 118 – Powers and Duties of County Court Clerk, should govern this process.

Daily receipt would enhance the safety, stability, and liquidity of the Metropolitan Nashville Investment Pool and since they are not used by the Davidson County Clerk's Office to finance daily operations, their availability would be more beneficial to the Metropolitan Nashville Government than to the Davidson County Clerk's Office.



*Criteria:*

- Charter of the Metropolitan Government of Nashville and Davidson County, Tennessee, Article 8 –Metropolitan Departments, Section 118 – Powers and Duties of County Court Clerk states:

*“There shall be as an independent agency of the metropolitan government, the office of county court clerk... However, all fees, revenues, incomes, commissions, emoluments and prerequisites of the office of county court clerk shall accrue to the metropolitan government and shall be deposited with the metropolitan treasurer daily, except as otherwise provided by ordinance.”*

- Charter of the Metropolitan Government of Nashville and Davidson County, Tennessee, Article 8 –Metropolitan Departments, Section 106 – Division of Treasury Created states:

*“The Metropolitan Treasurer shall supervise and be responsible for the custody and disbursement of all funds belonging to the Metropolitan Government and all funds handled by Metropolitan Government officers as agents or trustees except as otherwise provided in this Charter or by ordinance or general law not inconsistent with this Charter...”*

*Risk:*

- Daily cash position and investment pool balances are reduced by fees and commission not being available to the Metropolitan Nashville Government. The Metropolitan Nashville Treasurer may be confronted with instances of short-term cash needs while the cash to meet available needs sits idle and unused in the Davidson County Clerk's Office account.
- Maximum use of fees for services provided is not obtained for the Metropolitan Nashville Government.

*Recommendation:*

Management of the Davidson County Clerk's Office should ensure all fees and commissions are deposited, swept or transferred into an official Metropolitan Nashville general government depository account within one business day of receipt and recorded in EnterpriseOne within two business days.

## ***H - Cash Handling Internal Control Enhancements***

Internal controls over cash handling could be enhanced. During our review of cash handling practices we observed:

- The mail opening system was designed with one person receiving and opening the incoming mail. Incoming mail that may contain checks, money orders or correspondence relating to payments represents a significant risk area and whenever practicable, should be opened by two or more designated employees.
- Employee personnel or petty cash reimbursement checks were observed being cashed from daily receipts for employees on 7 out of 13 days reviewed. Good cash handling procedures encourage collections be deposited intact. This means collections should be deposited in the form (cash, check, or credit) in which they are collected.

- Two license plate renewal stations did not have locking drawers to safeguard assigned motor vehicle decal and license plate inventory. Secure drawers help protect the integrity of motor vehicle decal and license plate inventory.
- Fees and/or taxes were waived or not collected in error as follows:
  - The two dollar fee for notary certification was not collected for 1 (2%) out of 57 notary certification transactions sampled. Davidson County Clerk's Office personnel stated that the office layout at the former Metro Center location was not conducive for notary processing and fees may have been overlooked when the notary desk was extremely busy.
  - Davidson County Clerk's Office personnel stated the Metropolitan Nashville motor vehicle privilege tax is waived for any disabled person bound to a wheelchair regardless of armed forces veteran status.
  - Davidson County Clerk's Office personnel stated that the four dollar driver license processing fees may be waived in special circumstances.

The Davidson County Clerk's Office did not have a written policy to support when fees should be waived. It should be noted that the overwhelming majority of fees were collected.

- Daily cash collection transfers between cashiers and bookkeeping were not always acknowledged by signatures/initials by both employees. The Metropolitan Nashville Office of Internal Audit observed 45 (7%) out of 655 daily tills reviewed, where the cashier or bookkeeping acknowledgement of daily collection transfers was not indicated on daily reports. This was primarily observed in daily collections other than motor vehicle daily tills.
- The Davidson County Clerk's Office does not have a management report to monitor the use of no-charge transactions that are processed in the Delta Computer system.

*Criteria:*

- State of Tennessee, Division of Municipal, Internal Control and Compliance Manual, June 2010, Title 6 – Control Activities, Chapter 14 – Revenues/ Receivables General Procedures.

Section 2 states:

*"Anytime custody of money changes from one employee to another, the money should be counted by both employees. A pre-numbered receipt or other document recording the count should be prepared and signed by both employees indicating concurrence with the amount transferred. This document should be retained by the individual turning the money over."*

Section 4 states:

*"All mail is delivered intact (unopened) to two or more designated employees."*

Section 9 states:

*"Municipal officials should ensure collections are deposited intact and only in designated depositories. Intact means that collections are deposited in the form*

*and amount in which they are collected. Employee and third party checks must not be cashed through the cash drawers. No collections should be withheld from the deposit for any reason.”*

- Prudent business practice

*Risk:*

- When basic internal controls needed to ensure that payments are collected and posted properly are not present, the risk for potential revenue losses is greatly increased.
- Quick detection of the root cause of an unexplained collection shortage or overage could be hampered when collections are not maintained intact.
- Mixing of personal business and Metropolitan Nashville business transactions may inherently erode the overall management cash collection control environment.

*Recommendation:*

Management of the Davidson County Clerk's Office should:

1. Initiate a two-person mail opening system. This mail opening system, coupled with a mail/check log, would strengthen the control environment pertaining to cash receipts.
2. Discontinue the practice of cashing employee personal checks from daily cash collections.
3. Provide locking drawers for all decentralized motor vehicle decal and license plate inventory workstations.
4. Reiterate to personnel the need to collect fees when notary certifications are processed.
5. Develop a written policy for waiver of fees. This policy should be coordinated with the Metropolitan Nashville Department of Law.
6. Reiterate the need for documenting employee concurrence anytime custody of money changes from one employee to another.
7. Develop a report of no-charge transactions processed in the Delta Computer system. This report should be reviewed periodically, at least monthly, for reasonableness of no-charge transactions.

## ***I - Prior Audit Recommendation Implementation***

Management of the Davidson County Clerk's Office has not fully implemented all of the recommendations from the June 30, 2008, Audit of the Davidson County Clerk's Office Hotel/Motel Occupancy Tax Fund. Specifically, the Metropolitan Nashville Office of Internal Audit recommendation "C – The Internal Control Environment Should Be Improved" had not been fully implemented. Evidence of implementation was lacking for the following areas of concern:

- Hotels Are Not Audited.
- Hotel Audit Documentation Improvements.

- Hotel Accounts Receivable Balances.
- Tax Assessment Analytics.

*Criteria:*

The June 8, 2008, Metropolitan Nashville Office of Internal Audit, Audit of the Davidson County Clerk's Office Hotel/Motel Occupancy Tax Fund management corrective action plan, Appendix A – Management Response.

*Risk:*

When basic internal controls needed to ensure that payments are collected and posted properly are not present, the risk for potential revenue losses is greatly increased. Additionally, by not conducting random audits of local hotels, their effectiveness as a control and fraud deterrent is greatly diminished.

*Recommendation:*

Management of the Davidson County Clerk's Office should improve internal controls by implementing recommendations identified in the June 30, 2008, internal audit report as follows:

1. Expand the existing Hotel/Motel audit program to optimize revenue inflows. Audits of hotel operators should be performed annually on a risk, statistical or cycle basis to encourage hotel operators' compliance with Metropolitan Nashville regulations and help provide reasonable assurance that all revenues are received. Tennessee State Code requires other local government entities to audit every hotel annually.
2. Develop a procedure to track all hotel audits performed and improve hotel audit documentation. Audit working papers should indicate the total number of nights verified, include detailed support documenting any additional tax assessments due. If penalties and interest fees are assessed, the audit working papers should clearly document the time period and or "as of date used" to calculate those penalties and interest assessments. Lastly, in the event that penalties are not assessed or waived, there should be an approval form and an explanation included in the audit papers to support the waiver.
3. Contact the computer administrator to discuss reporting options that can be added to the Delta Computer system Hotel/Motel application. At a minimum a reporting feature should be added to the system that can list outstanding payments with debit or credit balances.
4. Contact the computer administrator to discuss additional metrics that could be captured using the existing computer system, such as the number of room nights exempted. Additionally, the Davidson County Clerk's Office should work with the computer administrator to facilitate connectivity to the Hotel/Motel database. This may be accomplished through existing database connectivity technology or develop a program to provide monthly extracts of Hotel/Motel transaction history. The Davidson County Clerk's Office should perform periodic analysis of historic Hotel/Motel information to help identify potential hotel operator and/or processor errors. Checks for

duplicate tax returns, average room rates, and average exemptions classified by hotel size could help identify compliance issues.

### ***J - Fixed Assets and Tracked Equipment Records Need to be Updated***

Metropolitan Nashville Finance Department fixed asset records did not match Davidson County Clerk's Office fixed asset records. Verification of physical existence was not possible for 61 of the 74 assets inventoried because the assets had been disposed of. The Office of Internal Audit was able to physically observe 85 computer workstations distributed between six office locations. However, computer workstation reassignments were not always updated in the Metropolitan Nashville Information Technology Services Department tracked equipment records.

*Criteria:*

Metropolitan Nashville Finance Department, Policy #14, Capital Assets states:

*"Each fiscal year, the Division of Accounts will send a listing of each department's capital assets to the department heads so they can perform a physical inventory. Any discrepancies between the capital asset listing and the physical inventory must be reported to the Division of Accounts within 6 weeks of receiving the listing."*

*Risk:*

- The security of assets is compromised when asset and valuable equipment listings are inaccurate.
- Metropolitan Nashville resources may be lost through re-appropriation of assets.

*Recommendation:*

Management of the Davidson County Clerk's Office should:

1. Work with Metropolitan Nashville Finance Division of Accounts to ensure capital assets are tracked throughout the assets' lifecycle. This includes documentation of permanent or temporary transfers, disposals, and/or write-offs.
2. Annually conduct a physical inventory of capital assets and communicate the results to Metropolitan Nashville Finance Division of Accounts.
3. Annually conduct a physical inventory of all valuable equipment not included on the Metropolitan Nashville Finance Division of Accounts capital asset listing.

### ***K - Financial Records for Cash Collection Deposits were Inaccessible***

Bookkeeping Daily Cash Drawer reports and bank deposit slip carbon copies, needed by the Metropolitan Nashville Office of Internal Audit to verify collection activity were destroyed and, hence, were inaccessible for audit reference. These official records for three sample days selected in November 2008 were not readily available for testing. The missing information could be assembled from bank statement records and reports reprinted from the Delta Computer system if all archived transactions were restored.

Metropolitan Nashville Clerk's Office Records Schedule Authorization Number 13, approved January 2008, for RDA 608 – Bank Deposit Records states deposit slip, daily remittance report, and daily cash and distribution report and cash journal must be kept for five years in addition to the current calendar year.

*Criteria:*

- Prudent Business Practice
- Metropolitan Nashville Clerk's Office Records Schedule Authorization Number 13, approved January 2008, for RDA 608 – Bank Deposit Records delineates retention of current calendar year plus five additional calendar years. This category is defined as:

*"This series documents daily bank deposits. It includes deposit slip, daily remittance report, and daily cash and distribution report, and cash receipt journal."*

*Risk:*

Premature destruction of financial records hampers independent verification of compliance with management cash handling internal controls.

*Recommendation:*

Management of the Davidson County Clerk's Office should retain deposit slips and related daily remittance reports for five calendar years in addition to the current calendar year.

## ***L - Charge for Notary Service***

The practice of Davidson County Clerk's Office employees accepting a fee for notary services performed on Metropolitan Nashville property and during normal business hours creates an appearance of improper use of resources. Also, this practice has resulted in citizens using Davidson County Clerk's Office credit card processing machines to pay for this service. Credit card payments were reimbursed to the employee by checks from the Davidson County Clerk's Office bank account. For the three year audit scope there were 28 reimbursement checks totaling \$711 to one employee. It is our understanding notary services were offered as a convenience for citizens and fees received were deposited into the Davidson County Clerk's Office employee event pool.

*Criteria:*

Prudent business practice

*Risk:*

Comingling of revenue sources can create a perception of improper use of Metropolitan Nashville resources.

*Recommendation:*

Management of the Davidson County Clerk's Office should establish a notary services as an additional service offering and establish a fee which is deposited into the Metropolitan Nashville general fund or provide this service at no-charge.

## **GENERAL AUDIT INFORMATION**

### **STATEMENT OF COMPLIANCE WITH GAGAS**

We conducted this compliance audit between July and October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

### **SCOPE AND METHODOLOGY**

The audit period focused primarily on the period July 1, 2008, through June 30, 2011, financial balances, transactions, and compliance of the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance, and operations outside that period. The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the Davidson County Clerk's Office.

### **CRITERIA**

In conducting this audit, the existing Davidson County Clerk's Office operations and processes were evaluated for compliance with:

- Metropolitan Nashville Finance Department Policy, Purchasing #20, Purchasing Policy, Policy #19, Credit Card; #14, Capital Assets; Procurement Regulation; Purchasing Agent Delegation of Authority
- Metropolitan Nashville Code of Laws § 4.12.20, Methods of Source Selection
- Metropolitan Nashville General Services Policy, Cell Phones and Pagers
- Metropolitan Nashville Clerk's Office Records Schedule Authorization Number 13
- State of Tennessee, Division of Municipal, Internal Control and Compliance Manual, June 2010
- Prudent government service delivery practices

### **STAFF ACKNOWLEDGEMENT**

Mark Swann, CPA (Texas), CIA, CISA, ACDA  
Joseph McGinley, CISA, CISSP  
Bill Walker, CPA

## **APPENDIX A. MANAGEMENT RESPONSE**

- Management's Responses Starts on Next Page -





**JOHN ARRIOLA**  
**DAVIDSON COUNTY CLERK**

Howard Office Building Fulton Complex  
700 Second Avenue South, Suite 101  
Nashville, Tennessee 37210  
615-862-6150



January 24, 2012

Mr. Mark Swann  
Metropolitan Nashville Office of Internal Audit  
222 3<sup>rd</sup> Avenue North, Ste. 401  
Nashville, TN 37201

**RE: Davidson County Clerk's Office**

Dear Mr. Swann,

This is in response to your email of January 18, 2012, regarding the Internal Audit of the Davidson County Clerk's Office. I have attempted to respond within the limits of the matrix provided however if you need further clarification, explanation, etc. please contact me.

In response to the introduction it should be clearly stated that the office of the Davidson County Clerk is a Constitutional Office. (See Article 6, Sections 13-16, of the Tennessee Constitution). As such, it has certain statutory requirements and responsibilities as a Constitutional Office distinct from the Metropolitan Government. This separate status is recognized in Section 8.118 of the Metropolitan Government's Charter. In addition there are a number of statutes dealing solely with the County Clerk's duties and responsibilities. (See T.C.A. Title 18, Chapter 6), which are not affected by the Metro Charter.

No response is made to the Executive Summary, as such is a cryptic summary of the Observations and Recommendations. This response is directed to those Observations and Recommendations of the draft report.

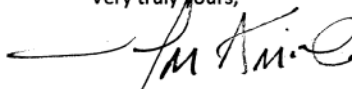
I am pleased that you have stated in the Financial Highlights [page 2] that the operation of this office has resulted in a surplus of funds returned to the Metropolitan Government each year for the last 3 years. Additionally, you should note, that the *Independent Annual Audit* of the Office of the Davidson County Clerk over the last five years, have never identified, "any deficiencies in internal control that we consider to be material weaknesses."

As I have previously stated to your office, the Comptroller Office, the TBI and the District Attorney General's Office, that my office is open and cooperating with any reasonable request. I have stated repeatedly that I accept those recommendations that are feasible, authorized by Law, and practicable, many of which have already been put into effect.

The Davidson County Clerk's Office is a public office, operated by an elected Constitutional officer, for service to the public and the government agencies, in transparency. Each of these separate entities, citizen and government agencies, has a right, recognized by this office, to be operated in the best interest of the public. It is my intent and purpose to operate the Clerk's office in that manner.

If you have any questions, please contact me and I will respond to them as quickly as possible.

Very truly yours,

  
John H. Arriola

Mailing Address:  
P.O. Box 196333 · Nashville, Tennessee 37219-6333

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation/Action Plan	Assigned Responsibility	Estimated Completion
<p><b>A.</b> If purchasing delegation of authority is reinstated, management of the Davidson County Clerk's Office should align their purchasing practice to ensure best value supplier selections are made and easily demonstrated. This can best be accomplished by following existing Metropolitan Nashville procurement laws, regulations, and policy. Relevant documentation should be maintained to demonstrate "best value" purchasing decisions.</p>	<p><b>Accept.</b> All vendors utilized by the County Clerk have been Metro approved vendors. The County Clerk disagrees with the Office of Internal Audit regarding purchasing authority, since such assumes that the Clerk is bound to follow such procedures. Please note that the recommendation states that the clerk "should" which means it is discretionary not mandatory.</p> <p>The County Clerk has implemented use of the Ariba system for purchasing through Metro contracted vendors and will continue to align purchasing practices to Metropolitan Government of Nashville procurement laws not superseded by State purchasing laws.</p>	Davidson County Clerk – John H. Arriola	Implemented.
<p><b>B.</b> Management of the Davidson County Clerk's Office should:</p> <ol style="list-style-type: none"> <li>1. Coordinate with the Metropolitan Nashville Finance Department, Purchasing Division to determine if sole source justification is appropriate for the two current on-going lease obligations or competitive bidding would be appropriate for these services going forward. Also, the Green Hill satellite office lease should be renewed and approved by the Metropolitan Nashville Department of Law and Metropolitan Nashville Finance Department.</li> <li>2. Obtain approval from the Metropolitan Nashville Council for equipment leases if the annual obligation exceeds \$5,000.</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Reject.</b> This property, Green Hills Lease, has been utilized as a district office by the County Clerk since 1999 and is currently operating in that location for \$980.00 per month. The Metro Department of Law was sent a copy of this contract dated, September 15, 2006, and should have a copy of it and has never advised that is was not proper.</li> <li>The postage machine is leased from a registered Metro vendor. The cost is comparable to quotes given by Metro's current contracted printing vendor; however, Metro's current contracted printing vendor could NOT provide a machine of equal functionality and capability.</li> </ol>	Davidson County Clerk – John H. Arriola	N/A
<p><b>C.</b> If purchasing delegation of authority is reinstated, management of the Davidson County Clerk's Office should:</p> <ol style="list-style-type: none"> <li>1. Ensure all credit card purchases are approved within the authority delegated by the</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Accept.</b> The County Clerk's Office will ensure all credit card purchases are approved by the County Clerk.</li> <li>2. <b>Accept.</b> The cardholder through departmental</li> </ol>	Davidson County Clerk – John H. Arriola	Implemented
			Implemented

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>Metropolitan Nashville Purchasing Agent.</p> <p>2. Instruct cardholder to retain all receipts for a minimum of three years and document the government service delivery purpose for credit card purchases.</p> <p>3. Ensure all payment vouchers clearly describe the purpose for the payment and contain sufficient supporting detail. Vendor statements should rarely be used as a method of payment and invoices should not be split into smaller amounts for individual orders.</p>	<p>procedure will retain all receipts and document the government service delivery purpose for credit card purchases for a minimum of three years.</p> <p>3. <b>Accept.</b></p>		Implemented
<p><b>D.</b> Management of the Davidson County Clerk's Office should ensure:</p> <p>1. Sale taxes are not paid whenever practicable. Using existing Metropolitan Nashville contracted suppliers for break room and miscellaneous office supplies through the 'Ariba' purchasing online catalogue can help facilitate this objective.</p> <p>2. Documentation for meals furnished to employees includes the purpose and the participating employee names. Meals should be occasional such that they clearly demonstrate they are of little value to the employee records with the current location and personal computer user assignments.</p>	<p>1. <b>Accept.</b> The County Clerk's Office has implemented use of the Ariba system for purchasing through Metro contracted vendors and will continue to align purchasing practices to Metropolitan Government of Nashville procurement process and not superseded by State purchasing laws. Sales tax exemptions will be claimed on all purchases outside of the Ariba system.</p> <p>2. <b>Accept.</b></p>	Davidson County Clerk – John H. Arriola	Implemented
<p><b>E.</b> Management of the Davidson County Clerk's Office should:</p> <p>1. Classify invoices to financial object account categories that best reflect the actual purpose of the expenditures. Remaining budget account balances should not be a factor in determining the object account used to classify expenditures.</p> <p>2. Review prior agency spend history and reallocate fiscal year budgeted account</p>	<p>1. <b>Accept.</b> The County Clerk's Office will review all object categories that best reflect expenditures. However, additional non-budgeted expenses will be incurred, which can affect forecasted requirements, such as increase in postage rates.</p> <p>2. <b>Accept.</b> The Clerk's Office continues to be under budget and return additional revenues to the local government.</p>	Davidson County Clerk – John H. Arriola	Implemented

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
balances based on current fiscal year forecasted expenditure requirements for agency goals and service delivery requirements.			
<b>F.</b> Management of the Davidson County Clerk's Office should enhance its hiring practices and broaden the base of applicants considered for positions by advertising all vacancies through Metropolitan Nashville Human Resources Department or other widely circulated media within Middle Tennessee.	<b>Partially Accept.</b> The Clerk's Office has an extensive pool of applicants and openly accepts ALL applications via mail or walk-ins. In additional, the Davidson County Clerk's Office has further enhanced its hiring practices by creating an active application portal on its website. The Department of Human Resources' page will also provide a link to this site.	Davidson County Clerk – John H. Arriola	Implemented
<b>G.</b> Management of the Davidson County Clerk's Office should ensure all fees and commissions are deposited, swept or transferred into an official Metropolitan Nashville general government depository account within one business day of receipt and recorded in EnterpriseOne within two business days.	<b>Reject.</b> The County Clerk disagrees that all fees and commission should be swept or transferred since many fees are directed to the County Clerk through State Law and should be managed by the County Clerk. The recommendation, states that the Clerk "should", which means, that is discretionary not mandatory. The current remittal schedule was agreed upon by the Metropolitan Government's Department of Finance.		N/A
<b>H.</b> Management of the Davidson County Clerk's Office should: 1. Initiate a two-person mail opening system. This mail opening system, coupled with a mail/check log, would strengthen the control environment pertaining to cash receipts. 2. Discontinue the practice of cashing employee personal checks from daily cash collections. 3. Provide locking drawers for all decentralized motor vehicle decal and license plate inventory workstations. 4. Reiterate to personnel the need to collect fees when notary certifications are processed.	1. <b>Reject.</b> No cash is being received through the mail. To assign to people to open and process at the same time is inefficient. 2. <b>Accept.</b> Employees will not be allowed to cash personal checks. 3. <b>Accept.</b> Cabinets with locks were part of the original design for the counters in our new office. Their installation was overlooked by General Services. The builder has been scheduled to install them ASAP. 4. <b>Accept.</b> The importance of collecting the correct fees for Notary Certification has been reiterated to staff.	Davidson County Clerk – John H. Arriola	N/A  Implemented  Implemented  Implemented

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<ul style="list-style-type: none"> <li>5. Develop a written policy for waiver of fees. This policy should be coordinated with the Metropolitan Nashville Department of Law.</li> <li>6. Reiterate the need for documenting employee concurrence anytime custody of money changes from one employee to another.</li> <li>7. Develop a report of no-charge transactions processed in the Delta Computer system. This report should be reviewed periodically, at least monthly, for reasonableness of no-charge transactions.</li> </ul>	<ul style="list-style-type: none"> <li>5. <b>Accept.</b> A written policy addressing the waiver of fees will be developed in coordination with the Metropolitan Nashville Legal Department.</li> <li>6. <b>Accept.</b> The need for documenting employee concurrence anytime custody of money changes from one employee to another has been reiterated to staff.</li> <li>7. <b>Accept.</b> A coded field for no charge transactions can be added to the Delta Computer software to allow for reports and periodic reviews regarding such transactions.</li> </ul>		<p>2012</p> <p>Implemented</p> <p>2012</p>
<p><b>I.</b> Management of the Davidson County Clerk's Office should improve internal controls by implementing recommendations identified in the June 30, 2008, internal audit report as follows:</p> <ul style="list-style-type: none"> <li>1. Expand the existing Hotel/Motel audit program to optimize revenue inflows. Audits of hotel operators should be performed annually on a risk, statistical or cycle basis to encourage hotel operators' compliance with Metropolitan Nashville regulations and help provide reasonable assurance that all revenues are received. Tennessee State Code requires other local government entities to audit every hotel annually.</li> <li>2. Develop a procedure to track all hotel audits performed and improve hotel audit documentation. Audit working papers should indicate the total number of nights verified, include detailed support documenting any additional tax assessments due. If penalties and interest fees are assessed, the audit working papers should clearly document the</li> </ul>	<ul style="list-style-type: none"> <li>1. <b>Accept.</b> The position of the "Auditor" was never funded by the Metro Council. The eleven audits performed have been accomplished by cross training existing staff.</li> <li>2. <b>Accept.</b> The Clerk's Office has developed a procedure to track all hotel audits performed and improve hotel audit documentation. Audit working papers will indicate the total number of nights verified and include supporting documentation. If penalties and interest fees are assessed, then documentation will verify the time period.</li> <li>3. <b>Accept.</b> Delinquent accounts and debits are tracked manually and the Delta system also records debit balances. A feature to credit balances will be added if possible.</li> <li>4. <b>Accept.</b> The current software vendor contract ends March 2012. The County Clerk is collaborating with metro officials to update the software which will provide greater flexibility.</li> </ul>	<p>Davidson County Clerk – John H. Arriola</p>	<p>2012</p> <p>Implemented</p> <p>Implemented</p> <p>2012</p>

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>time period and or "as of date used" to calculate those penalties and interest assessments. Lastly, in the event that penalties are not assessed or waived, there should be an approval form and an explanation included in the audit papers to support the waiver.</p> <p>3. Contact the computer administrator to discuss reporting options that can be added to the Delta Computer system Hotel/Motel application. At a minimum a reporting feature should be added to the system that can list outstanding payments with debit or credit balances.</p> <p>4. Contact the computer administrator to discuss additional metrics that could be captured using the existing computer system, such as the number of room nights exempted. Additionally, the Davidson County Clerk's Office should work with the computer administrator to facilitate connectivity to the Hotel/Motel database. This may be accomplished through existing database connectivity technology or develop a program to provide monthly extracts of Hotel/Motel transaction history. The Davidson County Clerk's Office should perform periodic analysis of historic Hotel/Motel information to help identify potential hotel operator and/or processor errors. Checks for duplicate tax returns, average room rates, and average exemptions classified by hotel size could help identify compliance issues.</p>			
<p><b>J.</b> Management of the Davidson County Clerk's Office should:</p> <p>1. Work with Metropolitan Nashville Finance</p>	<p>1. <b>Accept.</b> Will work with Metro Finance Department to update records as soon as they meet with us to review what their records</p>	<p>Davidson County Clerk – John H. Arriola</p>	<p>2012</p>

**Audit of the Davidson County Clerk's Office  
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>Division of Accounts to ensure capital assets are tracked throughout the assets' lifecycle. This includes documentation of permanent or temporary transfers, disposals, and/or write-offs.</p> <p>2. Annually conduct a physical inventory of capital assets and communicate the results to Metropolitan Nashville Finance Division of Accounts.</p> <p>3. Annually conduct a physical inventory of all valuable equipment not included on the Metropolitan Nashville Finance Division of Accounts capital asset listing.</p>	<p>show. We work with the State of Tennessee in this way.</p> <p>2. <b>Accept.</b> Same as above.</p> <p>3. <b>Accept.</b> Same as above.</p>		
<p><b>K.</b> Management of the Davidson County Clerk's Office should retain daily collection records for three calendar years in addition to the current calendar year.</p>	<p><b>Accept.</b> The bank statements provided to auditors show all necessary information for audit purposes. The cost for storing additional paper documents will be reviewed.</p>	<p>Davidson County Clerk – John H. Arriola</p>	<p>Implemented</p>
<p><b>L.</b> Management of the Davidson County Clerk's Office should establish a notary services as an additional service offering and establish a fee which is deposited into the Metropolitan Nashville general fund or provide this service at no-charge.</p>	<p><b>Accept.</b> Will review and implement County Technical Assistance Services guidelines for notary service where practicable.</p>	<p>Davidson County Clerk – John H. Arriola</p>	<p>2012</p>